GOVERNMENT OF INDIA
AGRO AND RURAL INDUSTRIES
LOK SABHA

STARRED QUESTION NO:203
ANSWERED ON:15.12.2004
KHADI ACTION PLAN
Bishnoi Shri Kuldeep

Will the Minister of AGRO AND RURAL INDUSTRIES be pleased to state:

(a): whether the Government had started a Khadi Action Plan in 1994 at a cost of Rs. 56 crore;

(b): if so, the work done under this action plan since then and the number of persons given employment through this plan; and

(c): the reasons for the failure of Khadi Action Plan?

Answer

MINISTER OF SMALL SCALE INDUSTRIES & AGRO AND RURAL INDUSTRIES (SHRI MAHABIR PRASAD)

(a) to (c): A statement is placed on the Table of the Sabha.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF THE LOK SABHA STARRED QUESTION NO. 203 FOR ANSWER ON 15.12.2004 RAISED BY SHRI KULDEEP BISHNOI

(a) to (c) Based on the recommendations of the High Power Committee (HPC) on Khadi and Village Industries (KVI) set up under the chairmanship of the then Prime Minister of India in 1994, the outlines of a plan for improvement in the KVI sector were drawn up. The total financial outlay needed for the recommended improvements in the KVI sector was estimated at Rs.5600 crore, with the objective of creating 20 lakh new jobs during the remaining three years of the Eighth Plan, i.e., 1994-95 to 1996- 97.

Thereafter, the Central Government approved an `Action Plan` for the three-year period 1994-1997. The salient features of this Action Plan, to be implemented during the above-mentioned period, were as follows: -

(i) Coverage of 50 selected Districts under a `Special Employment Programme`, to create 10,000 jobs per District in the KVI sector.

(ii) In addition, coverage of 125 Blocks for the development of KVI industries to generate employment for at least 1000 persons per Block.

(iii) Introduction of a `Margin Money Scheme` with 25 per cent subsidy for self-employment projects, each costing upto Rs.10 lakh.

(iv) Production of khadi should be increased from the (then) level of 10.5 crore square metre (sq.mt.) to 20 crore sq.mt. by 1997.

(v) Replacement of the rebate scheme by a Market Development Assistance (MDA) Scheme.

In order to implement the Action Plan, the Government approved a line-of-credit (LOC) of Rs.1000 crore. This credit was to be provided by a group of banks, led by State Bank of India. This was announced in the Finance Minister`s Budget Speech of March 1995.

A total credit of Rs.738 crore was drawn by the Khadi and Village Industries Commission (KVIC) out of the Rs. 1000 crore. Of this, Rs.291.50 crore was lent by the KVIC to registered khadi institutions and the State KVI Boards for implementation of the khadi related schemes of this Action Plan. Similarly, Rs.446.50 crore of the credit drawn by the KVIC was lent to the State KVI Boards and registered Village Industries (VI) institutions for implementation of schemes in the VI sector, including the Margin Money Scheme. The Margin Money Scheme was later named the `Rural Employment Generation Programme (REGP)`. Under the REGP, both loan and margin money grant were provided to selected beneficiaries. Subsequently, the REGP was strengthened and given regular budgetary support towards margin money (grant), with the required credit under the Programme being provided by the scheduled public sector banks.

With the availability of funds mentioned above, additional activities were promoted by the registered khadi institutions and State KVI Boards since 1995-96. The Margin Money Scheme (later REGP) for village industries (VI) was also started in the same year. The position, in terms of production, sales and employment generated in the khadi and VI sectors` during the last 10 years, is given in the table below.

(Production and Sales in Rs. crore; E,ployment in lakh persons)
Year Production Sales Employment Additional Employment Generated During the Year

Khadi V.I. Khadi V.I. Khadi V.I. Khadi V.I.
1994-1995 389.71 3234.35 490.86 3578.33 13.19 40.27 - - 1995-1996 522.23 3504.22 567.36 3861.77 13.97 42.75 0.78 2.48 1996-1997 626.40 3889.86 581.11 4232.90 14.97 43.38 1.00 0.63 1997-1998 624.10 3895.21 745.90 4319.38 14.01 42.49 -0.96 -1.09 1998-1999 635.89 4476.48 647.83 4953.18 13.85 44.44 -0.16 1.95 1999-2000 551.94 5613.41 631.79 6137.41 12.35 46.88 -1.50 2.44 2000-2001 431.57 6491.69 570.55 7384.55 9.56 50.51 -2.79 3.63 2001-2002 416.69 7140.52 527.86 8383.49 8.40 54.16 -1.17 3.65 2002-2001 443.07 8126.30 577.63 9615.71 8.58 57.87 0.18 3.71 2003-2004 453.50 9228.27 587.04 10988.17 8.61 62.58 0.03 4.71

Initially, the khadi sector showed increases in production, sales and employment. However, the position deteriorated since 1997-98. The main reasons of this decline were:

(i) Outdated charkhas and looms that needed repairs and replacement, for which adequate funds were not available.

(ii) Inadequate attention to production and sales planning, particularly product quality and marketability.

(iii) Working capital of the khadi institutions was adversely affected due to high unsold stocks and the rebates due to them not being paid in time.

On the other hand, the Village Industries programme has shown a steady increase over the last 10 years, particularly after the introduction of the REGP with the help of credit from banks. During the Tenth Plan period, it is envisaged to create 25 lakh new jobs under the REGP. Of this, 8.3 lakh jobs have been created during the first 2 years of the Tenth Plan.